

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-06 NEA-06 ISO-00 IO-10 H-01 L-02 PRS-01

PA-01 USIA-06 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9295

INFO AMEMBASYW DACCA PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 6/30/75

TAGS: EAID, EFIN, BG

SUBJECT: PROPOSED ADB LOAN AND TECHNICAL ASSISTANCE FOR RAILWAY
PROJECT (BANGLADESH)

REF: BEACH/GONZALEZ TELECON; MANILA 14474

1. PER REFTELECON. U.S. DIRECTOR DISCUSSED SUBJECT
PROJECT WITH BANK STAFF MAKING PARTICULAR REFERENCE
TO TARIFF AND REORGANIZATIONAL ASPECTS. WHILE STAFF
ACKNOWLEDGED EARLY ESTABLISHMENT COST-RELATED
TARIFF ESSENTIAL FOR RAILWAY TO ATTAIN FINANCIAL VIABILITY,
THEY NOTED CURRENT ACCOUNTS ARE IN DISARRAY; NO BALANCE
SHEETS HAVE BEEN DRAWN SINCE 1968; EXISTENCE DUPLICATE
ADMINISTRATIVE STRUCTURE; COMMINGLING OF RAILWAY WITH
NATIONAL ACCOUNTS; ALL PREVENT DETERMINATION AT THIS
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TIME OF ACTUAL OPERATING EXPENSES. FOR EXAMPLE,

STAFF POINT OUT THAT RAILWAY HAS NEVER CALCULATED TON/MILE OR PASSENGER/MILE COSTS FOR VARIOUS ROUTE LEGS, AN ESSENTIAL REQUIREMENT FOR SYSTEMATIC TARIFF FORMULATION.

2. STAFF ALSO NOTE REGIONAL TRADITION OF GOVT. PROVIDING SUBSIDY IN PASSENGER FARES; ACKNOWLEDGE THAT BOTH PASSENGER AND FREIGHT TARIFFS WILL REQUIRE SUBSTANTIAL UPWARD REVISION. HOWEVER, STAFF BELIEVES THAT INITIAL STEPS IN UPGRADING RAILWAY ORGANIZATION AND MANAGEMENT SHOULD BE ESTABLISHMENT OF PROPER ACCOUNTS AND FINANCIAL AND COST CONTROLS ON BASIS OF WHICH TA CONSULTANTS COULD COMPUTE AND RECOMMEND TARIFF STRUCTURE THAT COULD BE FULLY JUSTIFIED; EFFECTIVELY ADMINISTERED WITH IMPROVED OPERATIONAL, ADMINISTRATIVE COMPETENCE.

3. STAFF BELIEVES PREMATURE APPLICATION OF ESTIMATED INCREASED TARIFFS WOULD MOST LIKELY HAVE TO BE REVISED AGAIN AND POSSIBLY RESTRUCTURED ONCE COST DATA HAD BECOME KNOWN: A PROCESS WHICH COULD PROVE AWKWARD AND CONFUSING FOR THE RAILROAD STAFF AND ITS CLIENTELE. ACCORDINGLY, STAFF RECOMMEND RETENTION OF PROPOSED STEP-BY-STEP APPROACH WITH TARIFF INCREASES PHASED TO ESTABLISHMENT OF ACCOUNTING AND FINANCIAL CONTROLS, IMPROVED MANAGEMENT AND OPERATIONAL PERFORMANCE.

4. BANK STAFF INDICATED NO NECESSARY RELATIONSHIP BETWEEN DATE OF EFFECTIVE NEW TARIFF STRUCTURE IMPLEMENTATION AND TIMING OF REORGANIZATION. CRUCIAL FACTOR IN PROJECTED TIMETABLE AMOUNT OF SPADE WORK NECESSARY TO PROVIDE BASIS FROM WHICH APPROPRIATE TARIFF STRUCTURE COULD BE DETERMINED.

5. USADB PERSUADED BANK APPROACH PRUDENT, GIVEN CIRCUMSTANCES; EMBODIES BEST CHANCE OF RESTORING TRADITION OF SERVICE AND RELIABILITY TO RAILWAY SYSTEM WHOSE PROCEDURES AND PRACTICES HAVE BEEN SUCCESSIVELY ERODED FOR MANY YEARS.
SULLIVAN

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Message Attributes

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